

KITSAP COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
Kitsap County, Washington
January 1, 1988 Through December 31, 1993

Schedule Of Findings) Hansville Water District

1. The District Should Not Grant Extra Compensation After Services Have Been Rendered

In January 1991, the district gave its manager a \$1,000 bonus for work performed in 1990 during a winter storm. However, the manager's employment contract did not provide for payment of bonuses. Therefore, the bonus paid after the services were rendered was contrary to state law.

The Washington State Constitution, Article II, Section 25 states in part that:

The legislature shall never grant any extra compensation to any public officer, agent, employee, servant, or contractor, after the services shall have been rendered

The district was unaware that this bonus was prohibited by the state constitution. The manager to whom the bonus was paid to has since quit the district.

We recommend:

- a. The district recover the \$1,000.
- b. The district adhere to the constitutional prohibition of granting extra compensation after services have been rendered.

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Schedule Of Findings) Old Bangor Water District

1. The District Should Record Minutes In Accordance With The Open Public Meetings Act

Minutes were kept of board meetings beginning in August 1988 through June of 1990. Before and after this period, no records were kept of meetings.

RCW 42.32.030 states:

The minutes of all regular and special meetings except executive sessions of such boards, commissions, agencies or authorities shall be promptly recorded and such records shall be open to public inspection.

Because the district failed to keep minutes the public has no knowledge of the actions taken by the board of commissioners.

Although the commissioners were aware minutes were required to be recorded, it was only done for the period shown above.

We recommend the district record minutes of all its open public meetings.

2. The District Should Make Timely Deposits With The County Treasurer

The district deposits receipts with the county treasurer only twice a year. Yearly deposits for the district ranged from \$1,505 in 1988 to \$2,200 in 1991.

The Washington State Constitution, Article XI, Section 15, requires:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

When collections are not deposited promptly, not only is the state constitution violated, but also the district's funds are also not available for investment or payment of claims.

The district felt their frequency of deposits was adequate.

We recommend the district make timely deposits in accordance with the state constitution.

KITSAP COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Tracyton Water District

1. The District Should Charge Only Those Fees To Which It Is Entitled

Tracyton Water District charges a \$1,125 connection fee for all hookups within district boundaries. In 1966, the district turned over all the water lines of the district to the City of Bremerton. During 1991, the district had total revenues from 11 hookups of approximately \$12,375. Since 1992, the district has not used any of these revenues towards maintaining or operating the water supply system.

RCW 57.08.010 states in part:

A water district may . . . charge property owners seeking to connect to the district's water supply system, as a condition to granting the right to so connect, in addition to the cost of such connection, such reasonable connection charge as the board of commissioners shall determine to be proper in order that such property owners shall bear their equitable share of the cost of such system. (Emphasis ours.)

Because the district no longer owns the water supply system, nor does it maintain or operate the system, it is not entitled to connection charges.

The district continues to charge connection fees because the contract with the City of Bremerton stipulates that the district retain the right to charge connection fees.

We recommend the district discontinue charging connection fees.

KITSAP COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Port Of Eglon

1. The Port Should Improve Internal Controls Over Cash Disbursements

The following deficiencies were noted over cash disbursements at the Port of Eglon:

- a. Warrants were not prenumbered and the warrant numbers created by the port did not agree with the magnetic ink bank control numbers. Prenumbered warrants are necessary to establish accountability over warrant stock. Without prenumbered warrants, transactions may be concealed by disposal of warrants once they have cleared the bank.
- b. Voided warrants were not retained. Audit costs are increased because extra time must be spent to verify they were not used.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The above deficiencies created a condition in which errors and irregularities could have occurred and not been detected by management in a timely manner.

We recommend that warrants be prenumbered and voided warrants be retained.

KITSAP COUNTY COMBINED SPECIAL PURPOSE DISTRICTS
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Schedule Of Findings) Port Of Manchester

1. The Port Should Improve Internal Controls Over Cash Disbursements

Numerous deficiencies existed over the cash disbursement system at the Port of Manchester.

- a. Warrants were not prenumbered and the warrant numbers used by the port did not agree with the magnetic ink bank control numbers. Prenumbered warrants are necessary to establish accountability over warrant stock. Without prenumbered warrants, transactions may be concealed by disposal of warrants once they have cleared the bank.
- b. Voided warrants were not retained. Audit costs are increased because extra time must be spent to verify they were not used.
- c. Checks had only a single signature. The signer of the checks was the port attorney, who was also responsible for all record keeping of the port.
- d. Supporting documentation for issued warrants was not adequate. Although the port did not issue a large number of warrants, documentation could not always be found because of poor record keeping. Invoices were included in a file folder along with all the other port records for each year. Records were filed in no particular order.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

The above deficiencies created a condition in which errors and irregularities could have occurred and not been detected by management in a timely manner.

We recommend:

- a. Warrants be prenumbered.
- b. Accountability be established over warrants by filing cancelled warrants in sequential order and accounting for any missing warrants.
- c. The port require two signatures on all warrants.

- d. All warrants issued be supported by adequate documentation.
- e. Invoices should be attached to cancelled warrants or to blanket voucher forms and filed in order.

2. The Port Should Deposit All Funds With The County Treasurer

The Port established a separate bank account for Phillip Hartwell Memorial funds in December 1988 in the amount of \$2,958.

Article XI, Section 15 of the Washington State Constitution requires:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depositary to the credit of such city, town, or other corporation respectively, for the benefit of the funds to which they belong.

When money is not sent to the county treasurer it is unavailable to pay district expenses and investment opportunities are lost.

The port was unaware they were not allowed to maintain separate bank accounts.

We recommend the port close the account and deposit the funds with the county treasurer.

3. All Investments Should Be Made Through The County Treasurer

In January 1991, the port opened a \$10,000 money market account with Merrill Lynch.

RCW 36.29.020 allows for:

Any municipal corporation may by action of its governing body authorize any of its funds which are not required for immediate expenditure, and which are in the custody of the county treasurer or other municipal corporation treasurer, to be invested by such treasurer.

RCW 53.36.010 allows ports to designate their own treasurer when the commission of the port district:

. . . has for the last three consecutive years received annual gross operating revenues of one hundred thousand dollars or more, excluding tax revenues and grants for capital purposes, designates by resolution some person having experience in financial or fiscal matters as treasurer of the port district to act with the same powers and under the same restrictions as provided by law for a county treasurer acting on behalf of a port district.

The Port of Manchester does not meet the criteria to designate its own treasurer.

The Port was unaware that they were not allowed to make their own investments.

We recommend the port close its money market account, deposit the funds with the county treasurer, and make all future investments through the county treasurer.

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Schedule Of Findings) South Kitsap Parks And Recreation District

1. Internal Controls Over Cash Receipting Should Be Improved

We noted the following material weaknesses over cash receipting at South Kitsap Park and Recreation District:

- a. Receipts were not written for all transactions.
- b. Receipts were not deposited intact.
 - (1) Receipts were used to pay instructors for classes.
 - (2) Refunds were made out of receipts before they were deposited.
 - (3) Receipts were put in separate bank accounts that the district maintained.
 - (4) Receipts were not deposited in the sequence in which they were written.
- c. Original receipts were not attached to the copies for voided and refunded receipts.

The Washington State Constitution, Article XI, Section 15, states:

All moneys, assessments and taxes belonging to or collected for the use of any county, city, town or other public or municipal corporation, coming into the hands of any officer thereof, shall immediately be deposited with the treasurer, or other legal depository to the credit of such city, town or other corporation respectively, for the benefit of the funds to which they belong.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction

We consider these conditions to be a material weakness which could allow errors and irregularities to occur and not be detected by management in a timely manner. Because of the weaknesses, we were unable to determine whether all revenues were accounted for.

The South Kitsap Park and Recreation District is a new district that has only started to grow since 1988. The management of the district was unaware of the accounting

requirements for Washington State Municipal Corporations.

We recommend the district:

- a. Write receipts for all money received.
- b. Deposit all receipts intact.
- c. Retain original receipts for voided and refunded transactions.
- d. Maintain only one depository bank account.